

This record is a partial extract of the original cable. The full text of the original cable is not available.

C O N F I D E N T I A L SECTION 01 OF 02 MANILA 004464

SIPDIS

DEPT FOR EAP, EAP/MTS, EAP/MLS, INR/EAP

E.O. 12958: DECL: 09/22/2015

TAGS: [PGOV](#) [PINS](#) [PINR](#) [ECON](#) [RP](#)

SUBJECT: MALACANANG TAKES FLAK OVER HIRING OF U.S. LOBBYING FIRM

REF: A. MANILA-EAP/MTS 9/22/05 UNCLASS E-MAIL

[1](#)B. MANILA 4443

[1](#)C. MANILA-EAP/MTS 8/29/05 CLASS E-MAIL

[1](#)D. MANILA-EAP/MTS 7/27/05 UNCLASS E-MAIL

Classified By: Acting Political Counselor Joseph L. Novak  
for Reasons 1.4 (b) and (d).

[1](#)1. (C) Summary: Malacanang has recently taken a great deal of criticism for the hiring of Venable LLP, a U.S.-based law firm, to do lobbying. Opposition and even some pro-administration lawmakers have asserted that the contract was too expensive and complained that it was non-transparent. Matters came to a head late September 21 when National Security Adviser Gonzales was held in contempt and detained by the Senate for failing to answer questions regarding the contract. As of late September 22, Gonzales technically remains under Senate detention while in a local hospital where he is being treated for health problems. Malacanang's bumbling efforts to explain itself -- including over whether or not it is canceling the contract -- have hurt its credibility and are giving the story some legs. End Summary.

-----  
Controversy over Lobbying Contract  
-----

[1](#)2. (U) Malacanang has taken a great deal of flak recently for the hiring of Venable LLP, a U.S.-based law firm, to do lobbying. The story broke last week while President Arroyo was in the U.S. attending UNGA when Opposition politicians announced details of the contract, which was reported to be for one year and to cost USD 75,000 a month plus costs with the first three months paid up front. (Note: The contract, which has been filed with the USG, has since been published in toto in the local press -- see ref a. End Note.) Anti-Arroyo Congressmen Alex Cayetano, Rolox Suplico, and Roilo Golez lashed out at Malacanang over the cost of the contract and publicly questioned what it was for and who exactly in Malacanang had agreed to it. Echoing some of the nationalist rhetoric bandied about over the matter, Congressman Teddy Casino, a member of the leftist Bayan Muna party, stated: "This contract is a treasonable act by Arroyo and shows how vulnerable the government is to graft and corruption."

[1](#)3. (C) After Malacanang assistants fumbled for a couple of days in developing a coherent response, National Security Adviser Norberto Gonzales stepped forward and announced that he had signed the contract. Gonzales went on to claim that the contract was useful as a way to seek advice from U.S. sources on how the Philippines might approach the issue of Charter Change. (Note: Charter Change is the term used in the Philippines when discussing possible Constitutional changes, including the idea of transforming the current bicameral system into a parliamentary one. In fact, the contract deals with a whole range of lobbying services that Venable would perform in addition to any work on Charter Change. End Note.) This raised a storm of protest, with Opposition and some nominally pro-Malacanang lawmakers wondering why the Philippines was paying for advice to "a foreign company" on "a domestic matter." Congressman Gilbert Teodoro, who is usually pro-Arroyo, told Acting Pol/C on September 22 that he could not understand why Malacanang would have engaged a lobbying firm at such a high price: "We have so much poverty in this country -- why couldn't Malacanang have seen what a problem this would cause when the contract inevitably was made public." When queried by the local press, Venable would not comment publicly on the matter.

-----  
Canceling the Contract?  
-----

[1](#)4. (U) On arrival back in Manila on September 18, President Arroyo held a meeting with Cabinet members at the airport. She reportedly asked Gonzales about the contract and he recommended that it be canceled. She agreed, although Arroyo backtracked somewhat by stating that the contract could be "revived" in a subsequent TV interview. After the meeting, Gonzales told the press he was canceling the contract, although Filipino newspapers checking public records in the

U.S. report that the contract has not in fact been canceled as of September 22. (Note: In any case, given that the contract was signed in late July and with the first three months paid up, the contract apparently lasts until October at the least. End Note.) He clouded up the situation further, however, by asserting that "private donors" (whom he would not identify) and not the GRP had paid for the contract.

-----  
Senate Holds Gonzales in Contempt  
-----

15. (SBU) Matters came to a head late September 21 when Gonzales was held in contempt and detained by the Senate for failing to answer questions regarding the contract. Under intense questioning by the Committee on Accountability (a.k.a. the "Blue Ribbon" Committee) on live TV, Gonzales -- for three long hours -- refused to answer several direct questions, including who exactly was funding the contract, whether it had actually been canceled, under whose authority he signed the contract, etc. Gonzales' refusal to answer these questions was taken by the senators present to be evasive and to be disrespectful of the institution, and it was agreed -- even by pro-administration lawmakers -- to hold Gonzales in contempt. Going one step further, senators ordered the Sergeant at Arms to detain Gonzales. (Note: While rarely used, the Senate and the House have the power to detain. It is the first time in recent history that the power has been used against a Cabinet-level official, according to reports. End Note.) Gonzales, pleading health problems, was subsequently taken to a hospital where he remains as of late September 22 still technically under detention. Malacanang has protested the Senate's actions, asserting that they were improper and in conflict with normal relations between the legislative and the executive branches. Seeking to calm the waters by showing that the GRP was being transparent, Executive Secretary Eduardo Ermita announced on September 22 that the GRP -- in addition to its involvement with Venable -- has contracts with the firm Burston-Marsteller to do public relations work and with the law firm of White & Case in regard to the contract for Manila's new airport terminal.

-----  
Comment  
-----

16. (C) Mission has met with Venable representatives at their request on occasion in recent months (see refs c-d). In these meetings, they made clear that they believed the U.S. government should see Arroyo in a positive light. They were never clear as to whether they were working directly for her or for the GRP. Much of the damage that Malacanang is incurring is due to its bumbling efforts to explain itself. Gonzales, for example, has had an excruciating problem in getting his story straight, either because he is protecting Malacanang or because of his inarticulateness or a mixture of the two. This has given an opening to the administration's legion of critics and even disturbed some of its nominal allies. In the process, the story has developed some legs.

Visit Embassy Manila's Classified SIPRNET website:  
<http://www.state.sgov.gov/p/eap/manila/index.cfm>

You can also access this site through the State Department's  
Classified SIPRNET website:  
<http://www.state.sgov.gov/>

JOHNSON